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**PENSIONS COMMITTEE 10.11.2016**

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**Present:** Councillors: Stephen Churchman (Chairman), Trevor Edwards, Peredur Jenkins, H. Eifion Jones (Anglesey Council Representative), Margaret Lyon (Conwy Borough Council Representative), John P. Roberts, Glyn Thomas and Huw Trainor (Member of the Pensions Board)

Officers: Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Pensions Manager) and Lowri Haf Evans (Member Support Officer).

**1. APOLOGIES**

Apologies were received from Councillors Seimon Glyn and Tudor Owen

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chairman signed the minutes of the previous meeting of this committee, held on 15 September 2016, as a true record.

**5. 2016/17 TREASURY MANAGEMENT – MID YEAR REVIEW**

For information, the Investment Manager gave a presentation and background to the report, where it was explained that Councils were required, under the CIPFA code of conduct, to report on the performance of the treasury management function at least twice a year. The treasury's activities were highlighted in the report along with the associated risk monitoring and risk management.

It was noted that the Bank's base interest rates had fallen to 0.25% in August and that the impact of this would take time to work its way through the system. It was also suggested that interest rates were likely to fall further and an observation was made on the introduction of negative interest rates. A seminar would be held in January with Arlingclose (the Council's Treasury Consultants) to discuss management of the treasury. This was highlighted, and it was noted that members of the Scrutiny Committee had already proposed that this invitation be extended to members of the Pensions Committee.

Regarding investments made by Heritable Bank, it was noted that the authority had now regained 98% of its investments with further distributions likely.

**RESOLVED TO ACCEPT THE REPORT FOR INFORMATION**

**6. ACTUARIAL VALUATION 2016 - UPDATE ON THE PROCESS**

Having received the individual rates of employers' general contributions on the morning of 10 November, the situation was reported to be good. Regarding budget levels based on agreed funding, it was noted that the lack of funding had fallen from 85% in 2013 to 91% in 2016. The main reason for the change, it was reported, was that the returns on investment had been better than expected. It was noted that there would be a reduction in the level of employers' pensions contributions to fund the commitments of past services. But, the valuation of future services commitments and the level of employers' pensions contributions required to fund those commitments would increase.

**RESOLVED: TO ACCEPT THE REPORT**

**7. POOLING OF RESOURCES**

The report of the Investment Manager was submitted, providing an update on the situation of pooling resources in Wales. Members were reminded that the eight LGPS funds in Wales had submitted a proposal to the UK Government that would enable them to pool their investments of £13bn. The main aim of the enterprise is to achieve savings on investment management costs through economies of scale and by providing the funds with access to a range of viable investment opportunities.

It was reported that the enterprise was creating additional work that was detailed and complex e.g. - arrangements for collaborating, seeking of legal advice and setting up contracts. Nevertheless, the success of the enterprise will ensure better returns for the fund.

In response to a question, it was reported that Gwynedd Fund would continue as a stand-alone fund and that the Pensions Committee would continue to decide how the portfolio would be divided among investment categories, but that companies that manage those investments became options within the pool.

**RESOLVED TO ACCEPT THE REPORT FOR INFORMATION**

**8. UPDATE ON THE GUARANTEED MINIMUM PENSIONS(GMP) RECONCILIATION EXERCISE**

A report was submitted to the Pensions Manager on the practice of reconciling the Guaranteed Minimum Pension (GMP). Members were reminded that the Committee in its meeting on 15 December 2015 had approved the establishment of an internal team to reconcile the GMP in accordance with recommendations by HMRC. In order to complete the task by 31 March 2018, it was explained that team members' original contracts would need to be extended in order to respond to the increased work load (total costs for January 2017 - March 2018 = £81,972). It was highlighted that the cost would be very reasonable compared with other funds in Wales as some are considering outsourcing the work at an estimated cost of £500k.

In addition, it was noted that the Treasury, to simplify the process of reconciling data, had recommended that the weekly GMP sum paid by the Public Sector Pensions Plan and HMRC fall within the tolerance level of £2 a week. It was noted that the Government had suggested that Committee approval be sought for this tolerance level.

In response to a question about the cost of extending contracts, it was reported that the team possessed unique specialisms and that it would be sensible to use this valuable resource.

In response to a question about the £2 weekly tolerance level, it was highlighted that this practice would enable our staff to close a file, rather than spending too much time to minor details.

**RESOLVED: TO ACCEPT THE REPORT**

- i. APPROVE THE CONTINUED FUNDING OF THE RECONCILING PROJECT UNTIL THE END OF MARCH 2018 IN ORDER TO ALLOW THE HEAD OF FINANCE DEPARTMENT TO TEMPORARILY EXTEND STAFF CONTRACTS.**
- ii. APPROVE A TOLERANCE LEVEL OF £2 PER WEEK IN ORDER TO SIMPLIFY THE PROCESS OF RECONCILING INFORMATION.**

The meeting commenced at 1pm and ended at 1:20pm